THE BABCOCK & WILCOX COMPANY

SEVENTY-SEVENTH *Annual Report*

1957

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The Babcock &

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N. K. FELDMAN, *Assistant Comptroller*
R. D. WING, *Assistant Comptroller*

General Offices 161 East 42nd Street.
New York 17, New York

Stock Transfer Agent Bankers Trust Company,
16 Wall Street, New York 15, New York

Registrar The Bank of New York,
48 Wall Street. New York 15, New York

General Counsel Sullivan & Cromwell

Auditors Price Waterhouse & Co.

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Wilcox Company

SEVENTY-SEVENTH ANNUAL REPORT

To the Stockholders for the
Year Ended December 31st 1957

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Highlights

1

	1957	1956	1955
Per Share Outstanding[1]			
Net income for the year	**$ 2.80[2]**	$ 2.63	$ 2.52
Cash dividends declared	**.98**	.96	.92
Stock dividends declared	**4%**	4%	5%
Stockholders' equity	**$26.35**	$23.57	$21.90
In Thousands of Dollars			
Orders received	**306,072**	$495,257	$317,283
Unfilled orders	**367,219**	427,228	213,456
Sales *(shipments)*	**366,081**	281,485	233,291
Income before income taxes and minority interest	**35,075**	29,604	30,197
Net income for the year	**16,456**	14,081	13,487
Cash dividends declared	**5,753**	5,146	4,901
Stock dividends declared	**7,000**	8,760	7,470
Expenditures for property, plant and equipment	**13,708**	15,921	12,641
Depreciation and amortization	**6,779**	6,699	6,250
Payrolls and other employee benefits	**145,849**	115,578	97,212
Average number of employees during year	**25,800**	21,000	18,500
Number of stockholders at year end	**14,860**	10,118	6,671
Number of shares outstanding at year end	**5,886,628**	5,145,654	1,633,541

[1] Adjusted for stock dividends and the three-for-one stock split in 1956. Included in 1957 only are 535,148 shares sold in April of that year.

[2] Includes 38 cents per share of extraordinary profit from the sale of assets.

President's Letter

To the Stockholders of The Babcock & Wilcox Company:

The year 1957 marked the ninetieth year of operations since the founding of the firm of Babcock & Wilcox. This anniversary year was marked by several significant developments which highlight the Company's history of growth as well as the challenge this growth poses for the future.

The Company's continued development has made it necessary to supplement its internally generated funds in order to finance necessary capital expenditures and augment working capital. As part of this program, the Company, in April 1957, sold 535,148 additional shares of Capital Stock. These shares were offered initially to shareholders and almost 99% of the total offering was subscribed for by exercise of rights. The net proceeds to the Company from the sale of this additional Capital Stock was $18,267,541.

The chief item of new construction that was started in 1957 was a new plant facility to increase electric furnace and finishing capacity of the Tubular Products Division. The presently estimated cost of this construction is $14,600,000. It is now expected that this new facility will be in operation in the latter part of 1959.

Although it is still not possible to predict when the activities of the Atomic Energy Division will become profitable, the adverse effect on net income of the Company's activities in this field was less in 1957 than in 1956 and it is expected that the net loss of these activities will be further reduced in the coming year. The substantial amounts expended by the Company for research and development and organization and training of personnel in the field of atomic energy are believed to be providing the skill and experience which will be required when atomic energy becomes more generally used as a source of power.

It is with deep regret and a feeling of personal loss that the directors record that they and the company lost a long-time friend and an extremely helpful member of the Board of Directors through the untimely passing of Dr. Paul Dyer Merica on October 20, 1957.

We, your management, express our appreciation for the continued support of the stockholders, customers and suppliers and the loyal efforts of the more than 25,800 employees of the Company.

FOR THE BOARD OF DIRECTORS

New York, N. Y.
February 27, 1958

M. Nielsen.
PRESIDENT

1957 in Review

2

EARNINGS

	1957	1956	1955
Net income	$16,456,000	$14,081,000	$13,487,000
Shares outstanding adjusted for stock dividends and the three-for-one stock split in 1956	5,886,628[1]	5,351,480	5,351,480
Earned per share	$2.80[2]	$2.63	$2.52

[1] Including 535,148 shares sold in April 1957.

[2] Net income in 1957 includes 38 cents per share of extraordinary profit realized from the sale of our minority interest in The Lummus Company.

Shipments during 1957 amounted to $366,000,000 or 30% more than those made in the previous year but the income from operations of $33,000,000 was only 10% greater than for 1956.

DIVIDENDS

The following dividends were declared during 1957.

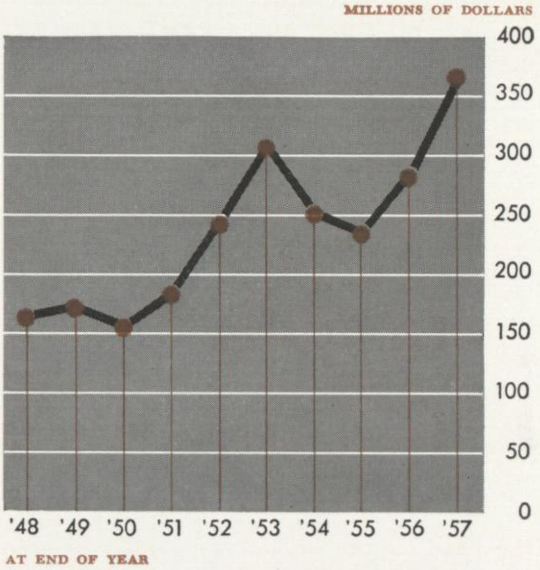
Date of Record	Date of Payment	Number of shares at Date of Record	Amount per share
March 4, 1957	April 1, 1957	5,351,480	25 cents
June 17, 1957	July 1, 1957	5,886,628	25 cents
Sept. 10, 1957	Oct. 1, 1957	5,886,628	25 cents
Dec. 6, 1957	Jan. 3, 1958	5,886,628	25 cents
Dec. 6, 1957	Jan. 6, 1958	5,886,628	Stock 4%

The payment of the stock dividend resulted in the issuance of 235,465 shares and the transfer of $7,000,000 from Retained Earnings—$2,119,185 to Capital Stock and $4,880,815 to Excess over Par Value—Capital Surplus.

SALES

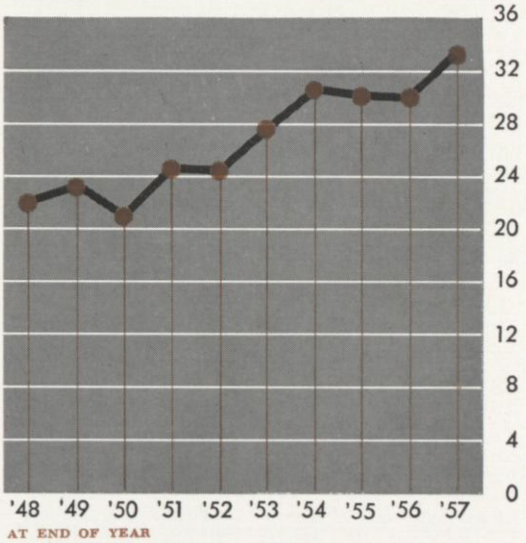
(Shipments)

MILLIONS OF DOLLARS



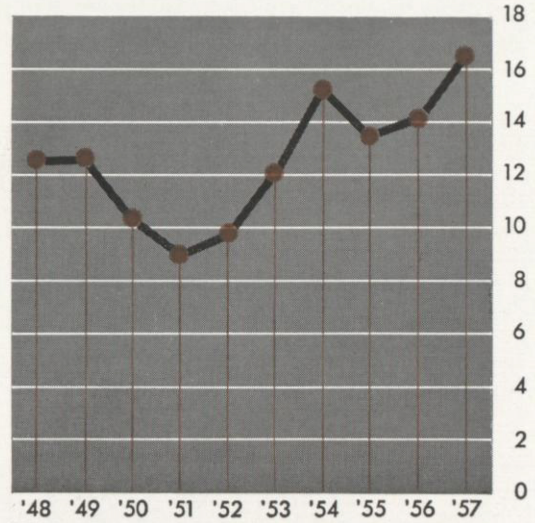
OPERATING INCOME BEFORE INCOME TAXES

MILLIONS OF DOLLARS



NET INCOME

MILLIONS OF DOLLARS



FINANCIAL POSITION

After carefully considering the requirements for more capital during the next few years, it was decided that, in April, the Company would offer to stockholders 535,148 shares of additional capital stock. Almost 99% of the shares were subscribed for by exercise of Rights and the balance were purchased by the underwriters. The net proceeds amounted to $18,267,541 of which $9 per share or $4,816,332 was credited to Capital Stock and the remainder of $13,451,209 was added to Excess over Par Value—Capital Surplus.

The sale of stock and the retention of the larger part of 1957 earnings considerably strengthened the Company's capital structure, so that, at the end of the year, long-term debt constituted only 17% of total capitalization. Consequently we should be in a better position to choose between equity or long term debt if still more capital is needed. That is unlikely through 1959, at least, because funds generated within the business should be sufficient to provide for the large capital expenditures now contemplated.

PROPERTY, PLANT & EQUIPMENT

Capital expenditures made during 1957 came to $13,708,000 and were second only to the record total of $15,921,000 spent in 1956. It is expected that such expenditures will continue at a high rate through 1959. Unexpended appropriations authorized by the Board at the end of 1957 amounted to $20,641,000; the larger portion was for additional facilities to increase electric furnace and finishing capacity for the production of tubular products.

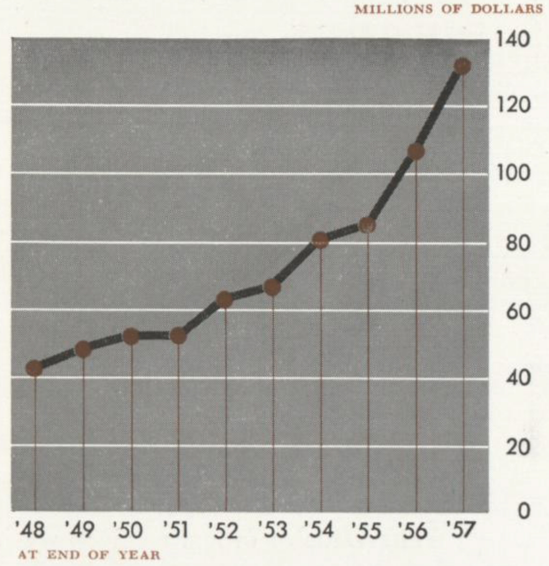
EMPLOYEES

The average number of persons employed by the Company increased from 21,000 in 1956 to 25,800 in 1957.

At the end of 1957 employees were covered by a total of $164,000,000 group life insurance and during the year payments to the Retirement and Pension trust funds added up to $3,732,655.

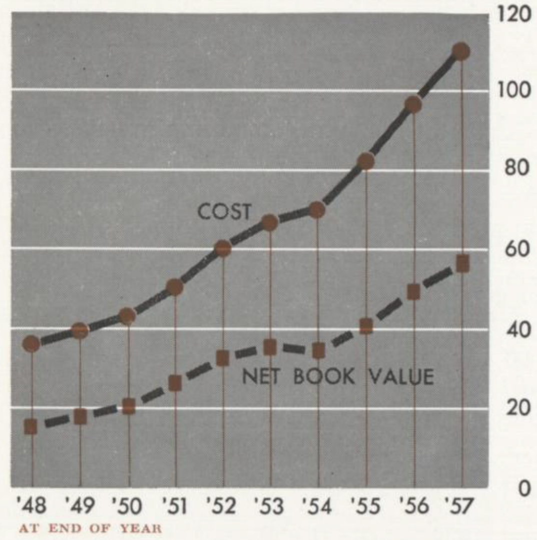
WORKING CAPITAL

MILLIONS OF DOLLARS



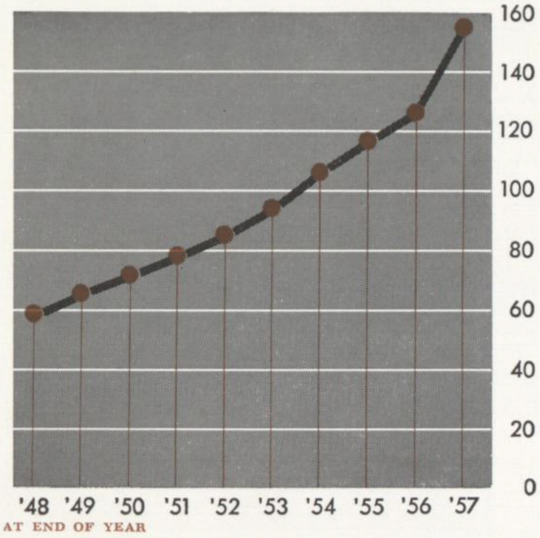
PROPERTY, PLANT & EQUIPMENT

MILLIONS OF DOLLARS



STOCKHOLDERS' EQUITY

MILLIONS OF DOLLARS



ORDERS

Orders received, shipments and unfilled orders for the past three years are shown in the following tabulation:

	Orders Received	**Shipments**	**Unfilled Orders End of Year**
1955	$317,283,000	$233,291,000	$213,456,000
1956	495,257,000	281,485,000	427,228,000
1957	306,072,000	366,081,000	367,219,000

The value of orders received was considerably below that for the record year 1956 but still it represented a substantial amount of new business.

Since shipments exceeded new orders the backlog was reduced from $427,228,000 to $367,219,000. It is likely that unfilled orders will continue to fall off until sometime in 1959 when under normal conditions the utilities should start placing orders in larger volume.

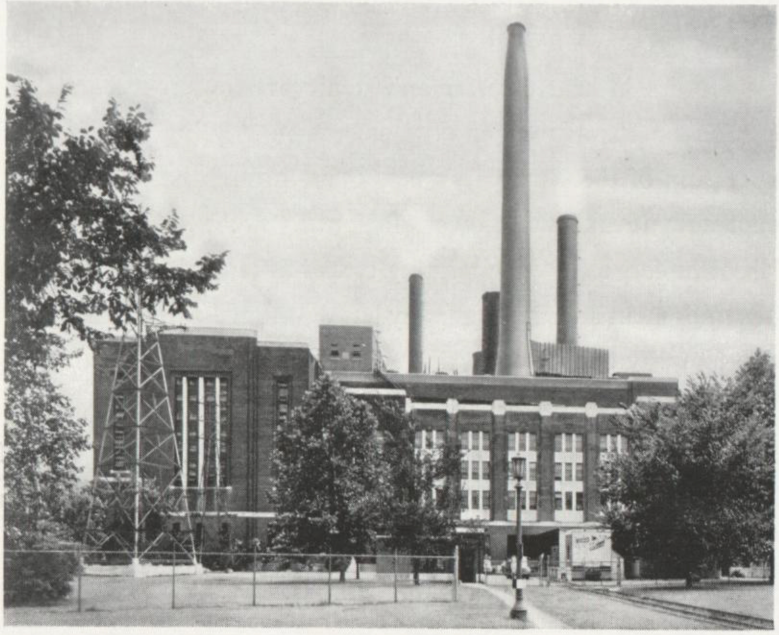
Unfilled orders cannot be projected into earnings because of such factors as completion time, price and design changes, and cost fluctuation. If current business and economic conditions persist throughout 1958 earnings for that year will probably be substantially less than in 1957.

3 Report on Operations

BOILER DIVISION

The backlog of orders for steam generating equipment and components was high at the end of 1957, even though new orders in 1957 declined substantially below the very high peak reached in 1956; that conformed with the cyclical pattern of buying in the field of steam generating equipment. It is expected that this trend will continue into 1958. However, the projected load growth in the electrical utility field and the continuing need for steam in industrial and institutional plants will require a substantial number of boilers in subsequent years.

The Universal Pressure Boiler—the Company's most recent advance in steam generation—went into commercial operation early in 1957 and has accumulated an outstanding record of performance. Two additional units of this design were sold late in 1957, bringing to five the total built or under construction.



First commercial installation of a Universal Pressure Boiler—Company's most recent advance in steam generation—was completed early in 1957 at Philo plant of the Ohio Power Company. Performance record has been excellent and four more such units have been sold by the Company.

Industrial boilers are receiving continuous attention as the need grows for specialized designs to meet the requirements in various fields. The B&W Cyclone Furnace, already extensively used in electric generating plants, is being selected for an increasing number of larger industrial units, while the newly developed Jet-Ignition Stoker is now in operation in many small and medium-sized plants. Highly economical oil and gas-fired units have been introduced for use in areas where these are the predominant fuels.

Demand continues strong for much of the Division's process equipment. This is particularly true of hollow forgings, enlarged production facilities for which will be placed in operation in 1958.

RESEARCH AND DEVELOPMENT DIVISION

The increase in the Company's activities in the field of nuclear engineering, during 1957, is reflected in the expansion of facilities and personnel at the Research Center in Alliance, Ohio. Additional scientists and engineers have been obtained and a new building with an area of approximately 15,000 square feet has been added.

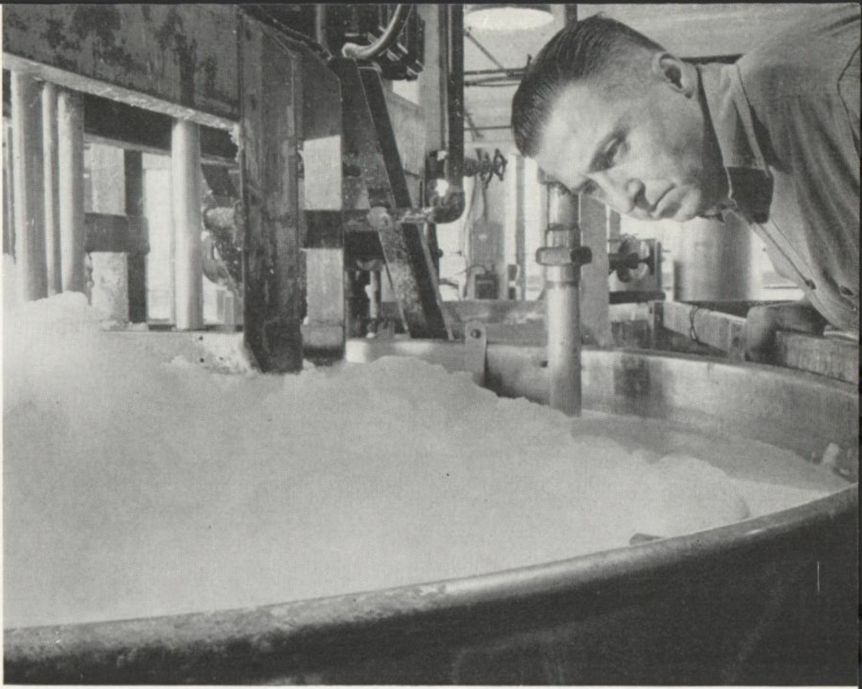
The rapid growth of technology and the increasing complexity of the resulting problems are being met by the development and greater use of computer techniques as new tools for obtaining accurate data more quickly and at less cost.

Studies in heat transfer and steam generation research which have been carried on for a number of years are now being applied to the design and operation of the Company's new once-through boilers which promise significant new advances in power efficiency. The need of the power industry for larger boilers to lower operating costs has tended to complicate the fuel burning equipment and the Company has developed efficient larger capacity burners that simplify construction and facilitate the automatic control.

Air pollution problems are relieved by a Company development which cuts in half the amount of nitrogen oxide discharged from furnace stacks while at the same time maintaining excellent burner performance.

Work is continuing on many metallurgical studies aimed at finding better materials and better fabrication methods.

Need for industrial boilers, which produce steam for processing rather than power, has increased in many fields. Here steam is used to control temperatures in a large vat of chemicals.



Models of latest designs in Universal Pressure Boilers are used extensively by the Company, both in sales work and for the indoctrination and instruction of student engineers and other employees.

REFRACTORIES DIVISION

Due to the slowdown of industrial plant expansion programs and the reduced rate of steel production during the last half of 1957, orders received and shipments for the year did not come up to earlier expectation. However, operations, while not at record levels, were satisfactory.

New facilities at the Division's Works in Augusta, Ga. were placed in operation during the year and are meeting original estimates in improving quality control, reducing costs and increasing capacity. These modern facilities, incorporating a high degree of automation, place the Division in an improved position to meet the present highly competitive conditions in the Refractories industry and increase the ability of the Division to meet the demands for its products during high periods of general industrial activity.

ATOMIC ENERGY DIVISION

During 1957 the first two B&W research reactors of the swimming pool type, went into operation. They are located at the University of Michigan and at the University of Sao Paulo in Brazil. A similar reactor was sold to a group of German industrialists and installation has been started near Hamburg, Germany.

The contract to design and build the power plant for the nation's first nuclear powered merchant ship, the "NS Savannah," has already progressed to the stage where some components are being fabricated. Operation is scheduled for early 1960.

The first series of critical experiments using thorium as breeding material for the Consolidated Edison reactor was completed at the Critical Experiment Laboratory in Lynchburg, Va. Fabrication has started on some of the equipment. Work is also continuing on the Liquid Metal Fuel Reactor Experiment, an advanced type high temperature reactor which the Company is designing and will fabricate, erect, and operate for the AEC under a cost-reimbursement-type contract.

New modern facilities incorporating a large degree of automation were placed in operation during the year at the Company's Refractories plant in Augusta, Ga. Here, by placing different discs in a control mechanism, employee can automatically select ingredients and proportions for a wide range of refractory mixes.

During 1957 work went forward on the Company's Atomic Energy contracts. Here at the Critical Experiment Facility fissionable material is placed in a vessel in a heavily shielded room and a chain reaction at very low power takes place. Experiments prove the validity of calculations previously made by scientists and engineers. Heavier components for the Consolidated Edison contract are now being fabricated as are some components for the nuclear powered merchant ship, the "NS Savannah."

During 1957, fuel elements of various designs were manufactured and delivered for several diverse nuclear activities, military and civilian, both here and abroad, including the AEC's Engineering Test Reactor, the Livermore Pool Test Reactor, an aircraft reactor project, South America's first research reactor, and several classified government jobs. The Company has also provided research reactor cores for Greece, the Netherlands, Germany, Denmark, Belgium, and a number of other countries.

At the Critical Experiment Laboratory in Lynchburg another complete critical experiment unit was added.

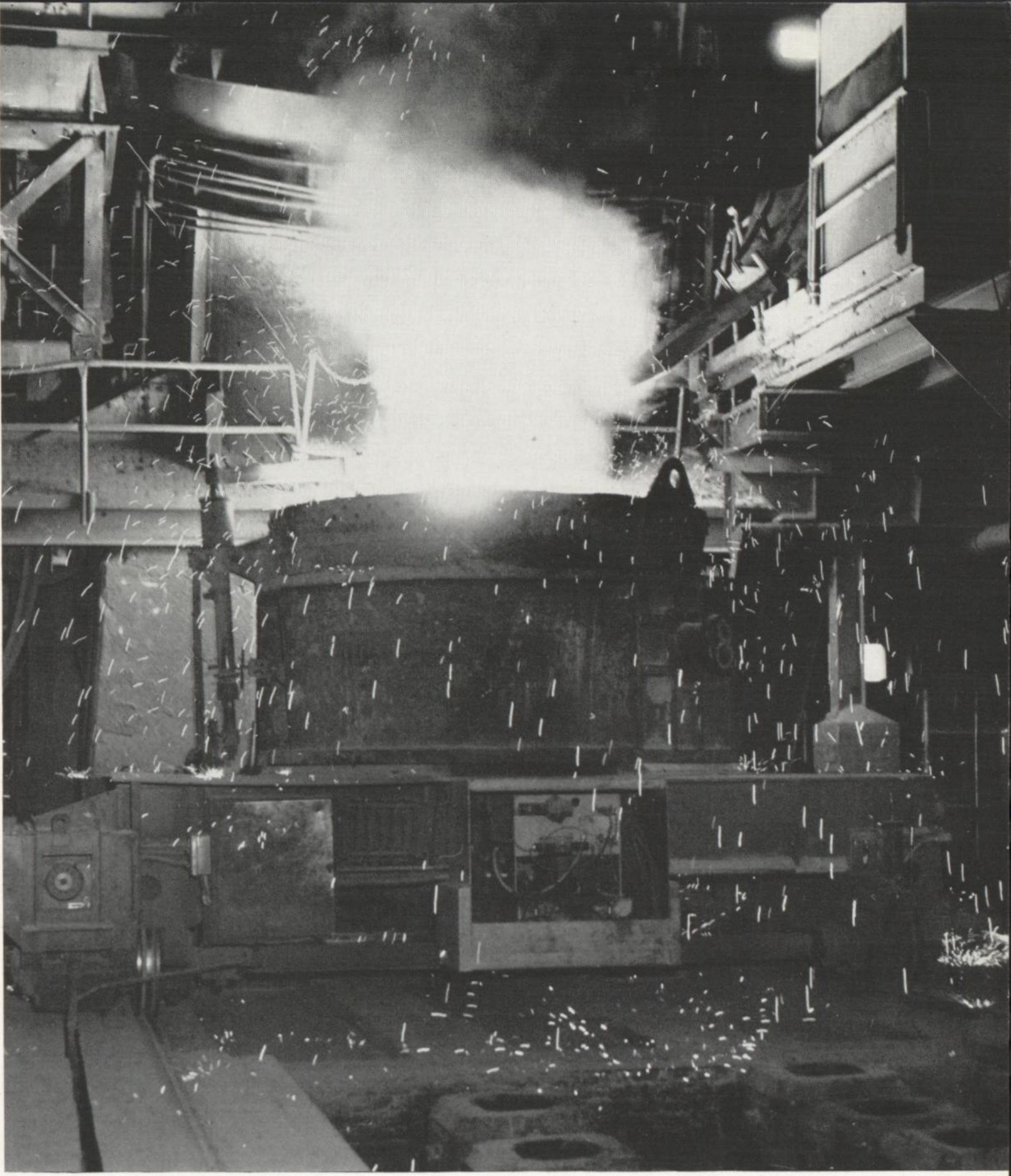
TUBULAR PRODUCTS DIVISION

Substantial progress was made by the Tubular Products Division during the past year reflecting results of continuing improvements in production and sales operations carried forward since the end of the war.

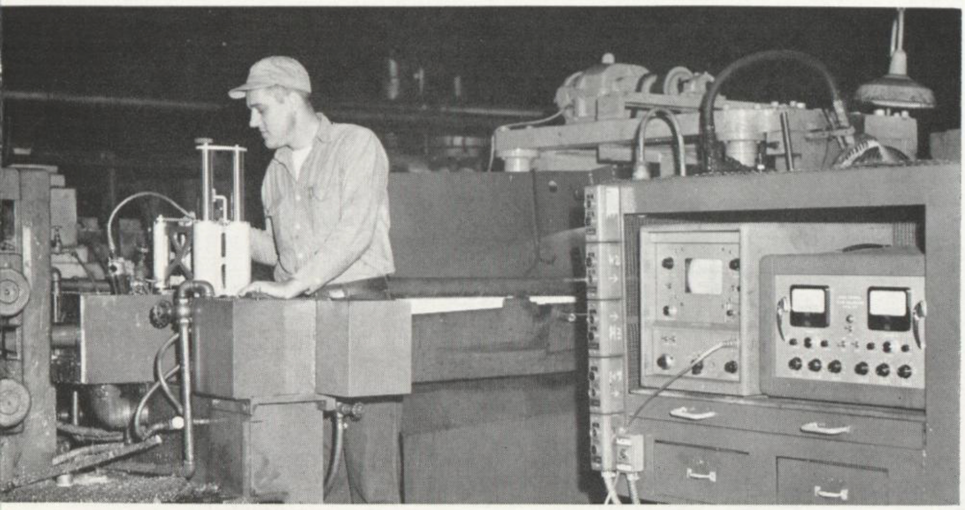
Most significant was the decision to undertake expansion of present steel making facilities at an estimated cost of $14,600,000. This will give the Division the capacity needed to produce a greater variety of alloy and stainless steel products and broaden the market for certain grades and sizes of tubing and extrusions. Construction was underway at the close of the year and completion is scheduled for late 1959. In addition, a modern building was completed during the past year to provide capacity for the finishing of extruded shapes in stainless and the unusual metals.

The modernization program underway for the past three years at the Milwaukee, Wisconsin plant was completed this year. This installation is now considered to be one of the most modern specialty tube manufacturing plants in the country.

At the Alliance, Ohio plant an immersed ultrasonic inspection system was installed. Ultrasonic sound waves are projected through water to probe for invisible flaws in welded pressure tubing as the tubing is being made. It is believed this is the first time the technique has been used as a quality control measure in the commercial production of electric resistance welded carbon steel tubing.



Work on an expansion program at the Tubular Products Division to give it additional capacity to produce alloy and stainless steels got under way late in 1957. The addition of a new electric arc furnace and its attendant equipment will give the Division not only additional capacity, but better control over the quality and size of alloy and stainless blooms and bars used in tube making and extrusion operations.



Equipment to utilize ultrasonic sound to detect possible defects in welded steel tubing was installed by the Tubular Products Division in 1957. Equipment will detect slightest defects in tubing without stopping continuous production of 100 feet per minute. When a defect is found it is indicated on a screen, an alarm bell sounds and paint is sprayed on the spot where defect was noted so inspectors can give it a more thorough examination later.

DIAMOND POWER SPECIALTY CORPORATION

Shipments reached a new high in 1957 reflecting a continuing participation in a high proportion of active utility, industrial and marine steam power expansion. Backlog during the year increased moderately.

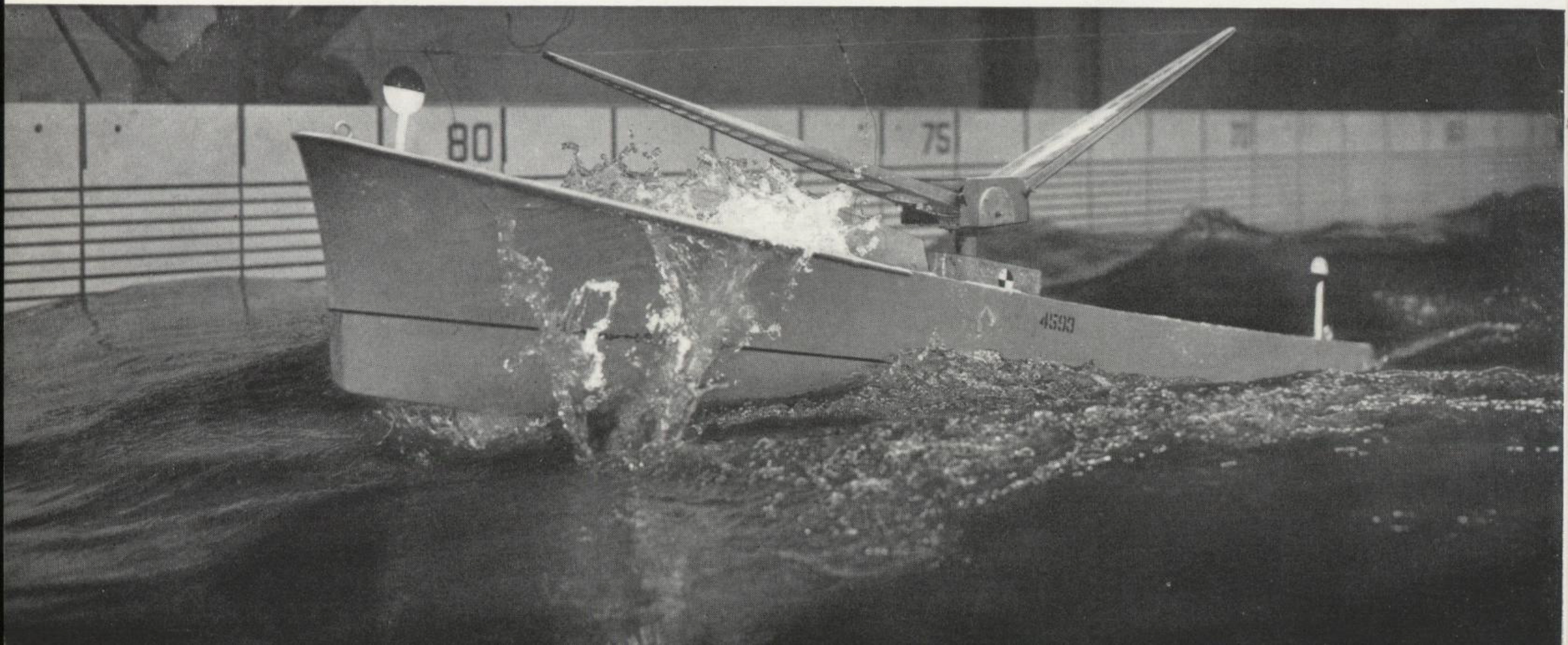
The boiler cleaning equipment field has been aided by greater use of remote automatic program control systems and by the installation of a number of the recently introduced shot cleaning systems.

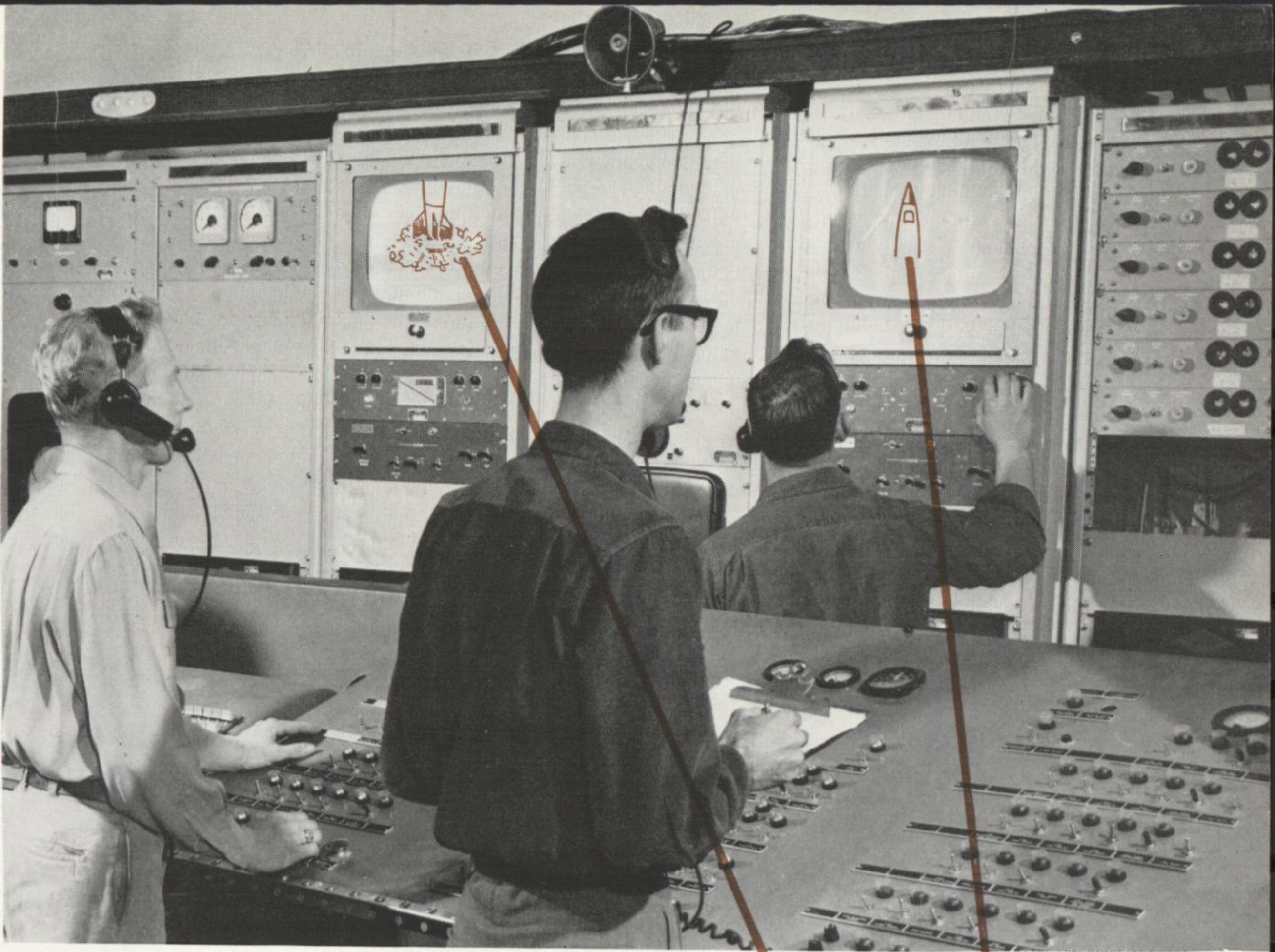
The application of Diamond wired television equipment in industry has been broadened in several significant areas such as the remote observation of test rocket launching facilities and the viewing of cement kiln firing and clinker flow conditions.

Physical facilities in Lancaster, Ohio, are being augmented by an extension to the main office building to accommodate expanded engineering and service facilities and to house new tabulating equipment for more efficient handling of many routine and specialized duties.

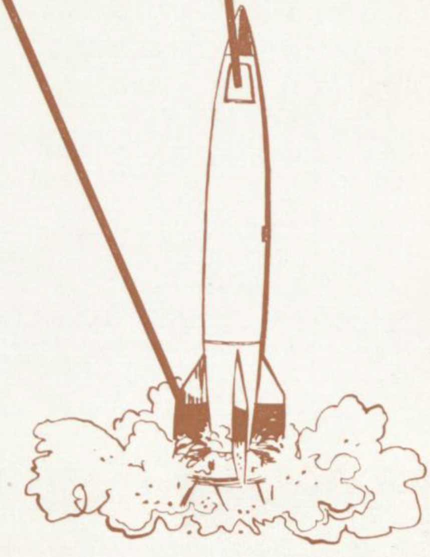
BAILEY METER COMPANY

Shipments during 1957 exceeded those of any previous year in the Company's history by approximately 35 per cent. Addition of 100,000 square feet of manufacturing and office space to the Wickliffe Plant during 1957, and rearrangement of facilities at the Ivanhoe Plant have enabled the Company to meet the increased demand for goods and services. Major activity is centered in the field of steam power generation but much progress has been

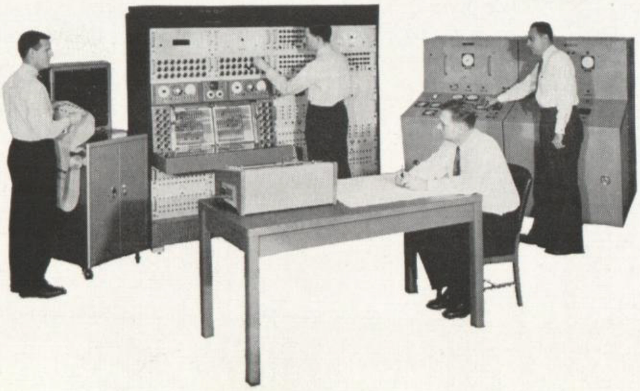




Wired television equipment made by Diamond Power Specialty Corporation has been extended to several industries including use in the nation's missile program. Set up in protected bunkers near the launching site, it is used to get a close-up view of the action as the missile is fired.



Bailey Meter Company's digital systems are finding application in many areas. Recently an installation was made of a complete instrumentation system for ship propulsion design studies at the Navy's David Taylor Model Basin near Washington, D.C. In this application data is gathered from models going through the basin (left) and recorded and measured on Bailey equipment (right).



made in application of instruments and control to other industrial processes, and in extending our foreign markets.

Since the acquisition of Metrotype Corporation in 1956 the Company has engineered and built several digital type systems for collection and processing of large amounts of measurement data. A significant installation in the field is a complete instrumentation system supplied the Navy for the David Taylor Model Basin for ship propulsion design studies.

In the field of power generation, a new automatic load control system has been developed to measure and control the output of each turbo-generator of a utility system to meet load demand and to automatically adjust each unit for maximum economy. The full potential of this system is not yet fully known and studies in the field are continuing with encouraging prospects.

Members of the Board of Directors of Babcock & Wilcox are men of wide experience drawn from many fields. They devote a good deal more of their time to the conduct of the Company's affairs than that which they spend at their monthly meetings. We would like to introduce you to the Board of Directors.

(left to right)
E. L. Cochrane
L. S. Wilcoxson
B. A. Tompkins
W. J. Thomas
C. W. Middleton
M. Nielsen (PRESIDENT)
A. G. Pratt (CHAIRMAN OF BOARD)
John C. Traphagen
Alfred Iddles
Stoddard M. Stevens
J. Roy Gordon

4 Behind the B&W Financial Statements

The Babcock & Wilcox Company owes its position today to the efforts and abilities of its most valuable asset—people—their organization—their experience—their leadership in developing, producing and selling products which may be broadly classified as: steam generating and special equipment; tubular products; refractory products; and atomic energy equipment. Its position in the future will be determined by these same factors, and for that reason the following brief description of the Company's organization and its people is presented.

ORGANIZED BY DIVISIONS

The Babcock & Wilcox Company is organized on a divisional basis consisting of four operating divisions, three service divisions and three subsidiaries—the heads of which all report to the president and through him to the Board of Directors. The Directors formulate Company policy. The various divisions and subsidiaries, engaged in different but related industrial activities, are largely autonomous in the conduct of their operations. Responsibility and

authority are decentralized to achieve efficiency, encourage individual initiative and to develop men. At the same time, the heads of the divisions and subsidiaries meet frequently in joint session with the president to bring about coordination and unity to their efforts. Problems and subjects of mutual interest to the various divisions are discussed and policies formulated. This system of communication at the highest level of operating management lends to any given problem the benefits of the combined thinking of all participants.

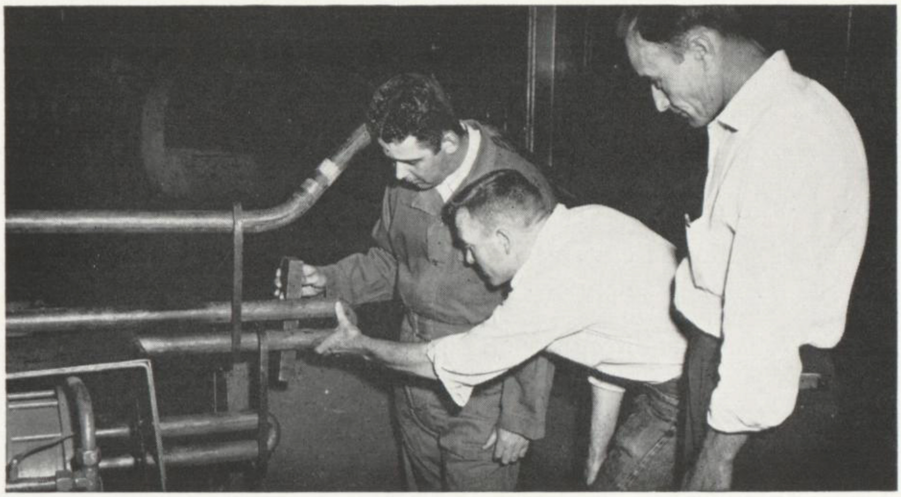
At the divisional level the departments are organized on a functional basis—sales, engineering, manufacturing, and erection. Close two-way communications are encouraged at every level to pass on and interpret information pertinent to the operation of each unit so as to ensure the overall objectives of the Company.

PERSONNEL SELECTION, TRAINING IMPORTANT

In an organization as diverse and complex as The Babcock & Wilcox Company with more than 25,800 employees, many specially trained and highly skilled persons are required, and in 1957 one out of every 11 employees of the parent Company was a college graduate. Whether it is the staff engineer working on a complex problem of boiler design, the furnace operator at the steel mill, or the refractories sales engineer—the contribution of each is essential to the final results. The success of the organization depends on its continuous recruiting and training of employees at all levels—and in making sure that they have opportunities to develop their capabilities to the fullest extent. This concept, while it has been a basic philosophy of the Company for many years, is receiving increased attention. On-the-job training and educational aids have contributed to personnel development. Supervisory and employee development programs have been instituted and refined in line with long range corporate plans.

FORWARD PLANNING

Planning for the future is one of the most important activities of the Company. In addition to the development of skills and capabilities of personnel, *Meetings of the management within each of the Divisions of the Company serve to communicate decisions and problems. These meetings are also used as forums for the discussion of intra-divisional subjects and for the training and development of the management potential.*



On-the-job training is extensively used to get new employees started and to help them improve. Here two experienced shopmen show a beginner how to line up tubes for a welding job.

Throughout the entire Company employees at all levels are encouraged to further their education. Company grants educational aids and often provides physical facilities and instructors.

studies of market potentials and providing the facilities to meet these potentials, occupy much of the time of all levels of management. Such forward planning of facility requirements is a continuing activity and is projected ahead for five years.

RESEARCH
A CONTINUING PROGRAM

Research and development has been the basis for much of the Company's success. These activities are handled in two ways. Fundamental research and preliminary explorations, serving all operating units of the Company, are handled at the Research Center in Alliance, Ohio. Applied research, often referred to as development work, is carried on in the field with the cooperation of customers on units which are in operation. This is a continuing program with B&W, and, like all others, is carried out by people, and the results are in direct proportion to their abilities. The Company has carefully selected engineers and scientists for this work which it feels are second to none in their fields.

SALES ARE DIVERSIFIED

No Company can continue to grow without a progressive and competent sales program. B&W's sales activities are naturally as diversified as its products, requiring sales personnel with specialized training and technical knowledge. People with engineering background are most often chosen and trained for this work. For each general type of product, such as tubes, refractories or steam generating equipment, the selling efforts are different since each product line is sold to a different group of customers. Each division and subsidiary, therefore, has its own nation-wide independent sales force, with each having its own sales management. Despite this, a high degree of coordination of effort exists through constant communications between managements of each division.

5

Financial Statements

Consolidated Statement of Income and Retained Earnings for the Calendar Year 1957

(with comparative figures for the year 1956)

	1957	1956
Sales (shipments) on percentage of completion method for long-term contracts	**$366,081,492**	$281,485,168
Costs and expenses:		
Materials, payrolls, services and taxes other than U. S. and Canadian taxes on income	**326,375,116**	244,890,056
Depreciation of plants and equipment (includes amortization $2,314,837 in 1957 and $2,784,445 in 1956)	**6,779,159**	6,699,297
	333,154,275	251,589,353
	32,927,217	29,895,815
Income from investments	**385,781**	562,711
Interest expense (deduct)	**(1,238,392)**	(854,046)
	32,074,606	29,604,480
U. S. and Canadian taxes on income	**17,630,000**	15,320,000
	14,444,606	14,284,480
Income applicable to minority interest (deduct)	**(238,657)**	(203,499)
Net income for the year exclusive of extraordinary gain	**14,205,949**	14,080,981
Gain on sale of The Lummus Company capital stock, less related U. S. taxes ($750,000)	**2,250,000**	
Net income for the year	**16,455,949**	14,080,981
Dividends declared:		
Cash	**5,752,841**	5,145,654
Stock (4% or 235,465 shares in 1957 and 205,826 shares in 1956 at $29.73 and $42.56 per share respectively)	**7,000,000**	8,760,000
	12,752,841	13,905,654
Remainder added to retained earnings	**3,703,108**	175,327
Retained earnings at beginning of year	**71,079,034**	70,984,593
Transferred to capital stock upon change from no par value to par value of $9.00 per share (deduct)		(80,886)
Retained earnings at end of year (see note)	**$ 74,782,142**	$ 71,079,034

NOTE: The payment or declaration of cash dividends on the company's stock is restricted under the provisions of the Note Agreements covering $32,000,000 principal amount of promissory notes dated June 1, 1956. Pursuant to such Note Agreements, retained earnings in the sum of $28,703,000 were unrestricted at December 31, 1957.

Consolidated Statement of Financial Condition at December 31, 1957

(with comparative figures at December 31, 1956)

	1957	1956
CURRENT ASSETS		
Cash	**$ 12,872,607**	$ 14,578,011
U. S. Government securities, at cost	**4,728,675**	1,998,719
Accounts receivable	**45,686,528**	39,393,621
Unbilled shipments and installations, at contract prices	**20,200,062**	10,161,310
Inventories, at lower of cost or market	**104,504,197**	91,486,608
Advance payments on contracts (deduct)	**(12,167,611)**	(9,427,240)
TOTAL CURRENT ASSETS	**175,824,458**	148,191,029
CURRENT LIABILITIES		
Accounts payable	**10,837,615**	12,269,853
Accrued liabilities	**14,921,840**	12,185,674
Cash dividends payable	**1,471,657**	1,286,414
Provision for additional costs on contracts	**3,315,571**	1,762,236
U. S. and Canadian income taxes	**14,975,449**	13,866,974
TOTAL CURRENT LIABILITIES	**45,522,132**	41,371,151
WORKING CAPITAL	**130,302,326**	106,819,878
INVESTMENTS, at cost	**603,621**	1,600,196
PROPERTY, PLANT AND EQUIPMENT (schedule attached)	**56,741,383**	49,830,350
PREPAID EXPENSES AND OTHER ASSETS	**734,053**	1,057,813
PATENTS	**1**	1
WORKING CAPITAL AND OTHER ASSETS	**188,381,384**	159,308,238
DEDUCT		
Eighteen-year notes due June 1, 1974—$23,000,000—3⅞%, $9,000,000—3⅝% (requiring certain annual prepayments commencing in 1961)	**32,000,000**	32,000,000
Minority interest in subsidiary company	**1,260,815**	1,158,318
NET ASSETS	**$155,120,569**	$126,149,920
REPRESENTED BY		
Capital stock, par value $9 per share; authorized 9,000,000 shares; issued 5,886,628 and 5,351,480 shares respectively (including $20,358,776 and $6,907,566 excess over par value—capital surplus)	**$ 73,338,427**	$ 55,070,886
4% or 235,465 shares stock dividend paid January 1958 (including $4,880,815 excess over par value—capital surplus)	**7,000,000**	
Retained earnings (see note page 23)	**74,782,142**	71,079,034
	$155,120,569	$126,149,920

Consolidated Statement of Property, Plant and Equipment

(with comparative figures at December 31, 1956)

	1957	1956
COST		
At beginning of year	**$97,311,754**	$82,215,544
Expenditures during year	**13,708,017**	15,921,306
Retired or sold during year	**(728,148)**	(825,096)
At end of year	**110,291,623**	97,311,754
DEPRECIATION AND AMORTIZATION		
At beginning of year	**47,481,404**	41,558,348
Charged to operations during year	**6,779,159**	6,699,297
Accumulated on property retired or sold during year	**(710,323)**	(776,241)
At end of year	**53,550,240**	47,481,404
Net book value	**$56,741,383**	$49,830,350

Opinion of Independent Public Accountants

TO THE BOARD OF DIRECTORS OF
THE BABCOCK & WILCOX COMPANY:

In our opinion, the accompanying statements present fairly the consolidated financial position of The Babcock & Wilcox Company and its subsidiaries at December 31, 1957 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

New York, N.Y.
February 20, 1958

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Consolidated Statement of Financial Condition at December 31

(in thousands of dollars)

	1957	1956	1955
CURRENT ASSETS			
Cash	**$ 12,873**	$ 14,578	$ 14,184
U. S. Government securities	**4,729**	1,999	8,805
Accounts receivable	**45,686**	39,394	34,198
Unbilled shipments and installations	**20,200**	10,161	10,925
Inventories	**104,504**	91,486	56,996
Advance payments on contracts (deduct)	**(12,168)**	(9,427)	(2,232)
TOTAL CURRENT ASSETS	**175,824**	148,191	122,876
CURRENT LIABILITIES			
Notes payable to banks			
Accounts payable	**10,838**	12,270	9,394
Accrued liabilities	**14,922**	12,186	9,045
Cash dividends payable	**1,472**	1,286	1,225
Provision for additional costs on contracts	**3,315**	1,762	2,803
U. S. and Canadian income taxes	**14,975**	13,867	15,109
TOTAL CURRENT LIABILITIES	**45,522**	41,371	37,576
WORKING CAPITAL	**130,302**	106,820	85,300
INVESTMENTS	**604**	1,600	1,600
PENSION RESERVE INVESTMENTS			
PROPERTY, PLANT AND EQUIPMENT	**56,741**	49,830	40,657
PREPAID EXPENSES AND OTHER ASSETS	**734**	1,058	748
WORKING CAPITAL AND OTHER ASSETS	**188,381**	159,308	128,305
DEDUCT			
Long term debt	**32,000**	32,000	10,000
Reserve for pensions			
Minority interest in subsidiary companies	**1,261**	1,158	1,091
NET ASSETS	**$155,120**	$126,150	$117,214
REPRESENTED BY			
Capital including capital surplus	**$ 73,338**	$ 46,311	$ 38,760
Stock dividends paid January following year	**7,000**	8,760	7,470
Retained earnings	**74,782**	71,079	70,984
	$155,120	$126,150	$117,214

Consolidated Statement of Property, Plant and Equipment

(in thousands of dollars)

	1957	1956	1955
COST			
At beginning of year	**$ 97,311**	$ 82,215	$ 70,117
Expenditures during year	**13,708**	15,921	12,640
Retired or sold during year	**(728)**	(825)	(542)
At end of year	**110,291**	97,311	82,215
DEPRECIATION AND AMORTIZATION			
At beginning of year	**47,481**	41,558	35,828
Charged to operations during year	**6,779**	6,699	6,249
Accumulated on property retired or sold during year	**(710)**	(776)	(519)
At end of year	**53,550**	47,481	41,558
NET BOOK VALUE	**$ 56,741**	$ 49,830	$ 40,657

Previous Years

1954	1953	1952	1951	1950	1949	1948
$ 20,121	$ 9,062	$ 6,785	$ 8,324	$ 9,479	$15,336	$ 6,428
7,268	1,550	1,950	1,595	8,900	2,186	2,081
39,277	43,886	42,560	32,666	24,913	27,253	24,134
17,758	20,638	17,597	8,528	12,934	10,889	12,746
40,975	56,902	56,768	49,904	25,694	23,893	30,011
(2,649)	(2,069)	(13,887)	(9,381)	(3,441)	(3,544)	(6,109)
122,750	129,969	111,773	91,636	78,479	76,013	69,291
	20,500	10,000	3,000			
11,413	12,833	11,240	9,197	6,182	7,563	8,540
9,002	10,922	9,085	7,675	5,949	4,813	5,115
778	741	706	706	706	2,822	705
4,000	2,500	2,500	2,500	2,500	2,500	2,500
16,588	15,560	14,770	16,292	11,008	10,224	9,872
41,781	63,056	48,301	39,370	26,345	27,922	26,732
80,969	66,913	63,472	52,266	52,134	48,091	42,559
1,603	2,177	2,194	2,202	2,201	2,227	2,216
2,250	2,250	2,250	2,200	2,200	1,700	1,050
34,289	35,816	32,748	26,364	20,140	17,890	15,220
566	397	505	601	378	268	229
119,677	107,553	101,169	83,633	77,053	70,176	61,274
10,000	10,000	10,000				
2,250	2,250	2,250	2,200	2,200	1,700	1,050
1,049	1,025	3,739	3,240	2,879	2,587	2,009
$106,378	$ 94,278	$ 85,180	$78,193	$71,974	$65,889	$58,215
$ 34,260	$ 31,450	$ 29,097	$29,097	$29,097	$29,097	$29,097
4,500	2,810	2,353				
67,618	60,018	53,730	49,096	42,877	36,792	29,118
$106,378	$ 94,278	$ 85,180	$78,193	$71,974	$65,889	$58,215
$ 67,177	$ 60,183	$ 50,893	$42,889	$39,574	$36,222	$33,326
3,792	7,493	9,684	8,455	4,030	4,222	3,816
(852)	(499)	(394)	(451)	(715)	(870)	(920)
70,117	67,177	60,183	50,893	42,889	39,574	36,222
31,361	27,435	24,529	22,749	21,684	21,002	20,663
5,234	4,410	3,289	2,078	1,747	1,455	1,259
(767)	(484)	(383)	(298)	(682)	(773)	(920)
35,828	31,361	27,435	24,529	22,749	21,684	21,002
$ 34,289	$ 35,816	$ 32,748	$26,364	$20,140	$17,890	$15,220

NOTE: *1952 and prior figures have been restated to include subsidiaries not consolidated in the published reports for those years.*

Consolidated Statement of Income and Retained Earnings

(in thousands of dollars)

	1957	1956	1955
Sales (shipments)	**$366,081**	$281,485	$233,291
COSTS AND EXPENSES			
Materials, payrolls, services and taxes other than federal taxes on income	**326,375**	244,890	197,006
Depreciation and amortization	**6,779**	6,699	6,249
	333,154	251,589	203,255
Income from operations	**32,927**	29,896	30,036
Income from investments	**386**	562	515
Interest expense (deduct)	**(1,238)**	(854)	(354)
	32,075	29,604	30,197
U. S. and Canadian taxes on income	**17,630**	15,320	16,520
	14,445	14,284	13,677
Income applicable to minority interest (deduct)	**(239)**	(203)	(190)
Provision for pension reserve (deduct)			
Extraordinary gain less related taxes	**2,250**		
Net income for the year	**16,456**	14,081	13,487
DIVIDENDS DECLARED			
Cash	**5,753**	5,146	4,901
Stock—4% in 1957 and 1956, 5% in other years	**7,000**	8,760	7,470
	12,753	13,906	12,371
Remainder added to retained earnings	**3,703**	175	1,116
Retained earnings at beginning of year	**71,079**	70,984	67,618
Transfer to capital stock		(80)	
Transfer from pension reserve			2,250
Retained earnings at end of year	**$ 74,782**	$ 71,079	$ 70,984

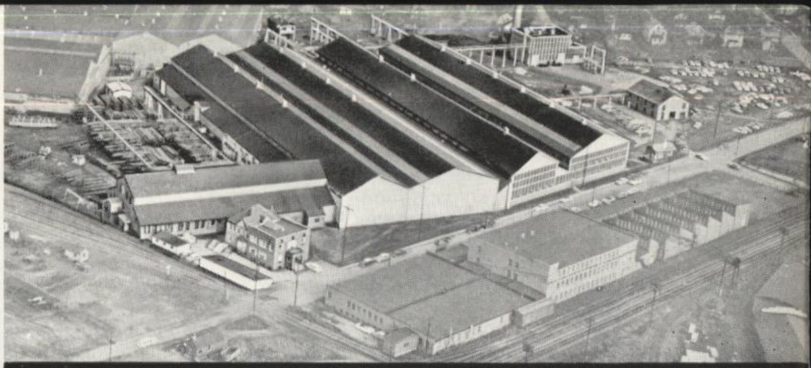
Statistics

Orders received—thousands of dollars	**$306,072**	$495,257	$317,283
Unfilled orders—thousands of dollars	**$367,219**	$427,228	$213,456
Shares issued during year: Stock dividend	**205,826**	81,677	77,787
Stock split		3,430,436	
Stock sold	**535,148**		
Shares outstanding end of year	**5,886,628**	5,145,654	1,633,541
Per Share outstanding (adjusted for stock dividends and stock splits—5,886,628 shares in 1957 and 5,351,480 shares in previous years)			
Income for year	**$ 2.80**	$ 2.63	$ 2.52
Cash dividends declared	**.98**	.96	.92
Stockholders' equity	**26.35**	23.57	21.90
Net income from operations — % of sales	**9.0%**	10.6%	12.9%
Income for year — % Net worth first of year	**13.0%**	12.0%	12.7%

Previous Years

1954	1953	1952	1951	1950	1949	1948
$250,471	$305,746	$241,267	$182,025	$154,854	$170,650	$163,516
214,539	273,701	213,510	155,282	132,010	145,874	140,268
5,234	4,410	3,289	2,078	1,747	1,455	1,259
219,773	278,111	216,799	157,360	133,757	147,329	141,527
30,698	27,635	24,468	24,665	21,097	23,321	21,989
737	206	436	530	402	341	528
(580)	(891)	(397)	(5)			
30,855	26,950	24,507	25,190	21,499	23,662	22,517
15,470	14,190	13,750	15,598	9,992	9,438	8,768
15,385	12,760	10,757	9,592	11,507	14,224	13,749
(173)	(699)	(898)	(551)	(689)	(963)	(698)
		(50)		(500)	(650)	(550)
15,212	12,061	9,809	9,041	10,318	12,611	12,501
3,112	2,963	2,822	2,822	4,233	4,937	3,393
4,500	2,810	2,353				2,058
7,612	5,773	5,175	2,822	4,233	4,937	5,451
7,600	6,288	4,634	6,219	6,085	7,674	7,050
60,018	53,730	49,096	42,877	36,792	29,118	22,068
$ 67,618	$ 60,018	$ 53,730	$ 49,096	$ 42,877	$ 36,792	$ 29,118
$192,199	$157,255	$227,563	$319,534	$257,957	$109,019	$171,798
$129,464	$187,736	$336,227	$349,931	$212,422	$109,319	$170,950
74,083	70,555					33,588
				705,558		
1,555,754	1,481,671	1,411,116	1,411,116	1,411,116	705,558	705,558
$ 2.84	$ 2.25	$ 1.83	$ 1.69	$ 1.93	$ 2.36	$ 2.34
.58	.55	.53	.53	.79	.92	.63
19.88	17.62	15.92	14.61	13.45	12.31	10.88
12.2%	9.0%	10.1%	13.6%	13.6%	13.7%	13.4%
16.1%	14.2%	12.5%	12.6%	15.7%	21.7%	25.5%

Alliance, Ohio—Tubular Products Division



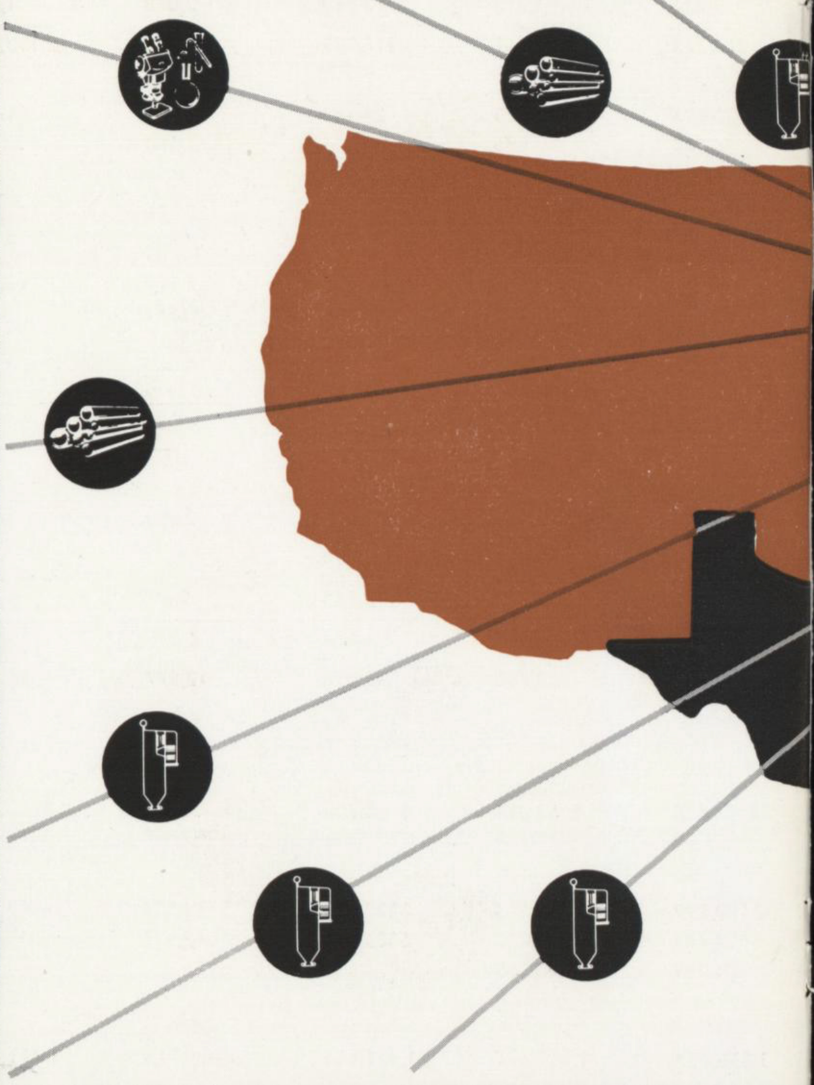
Alliance, Ohio—Boiler Division

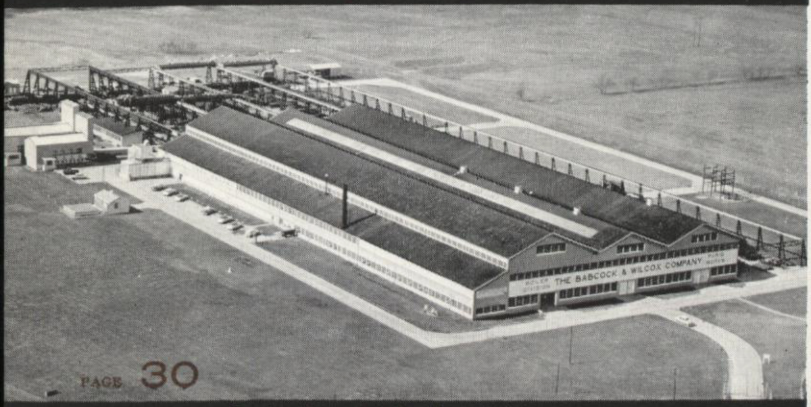
7 Facilities & Products of

Alliance, Ohio—Research Center

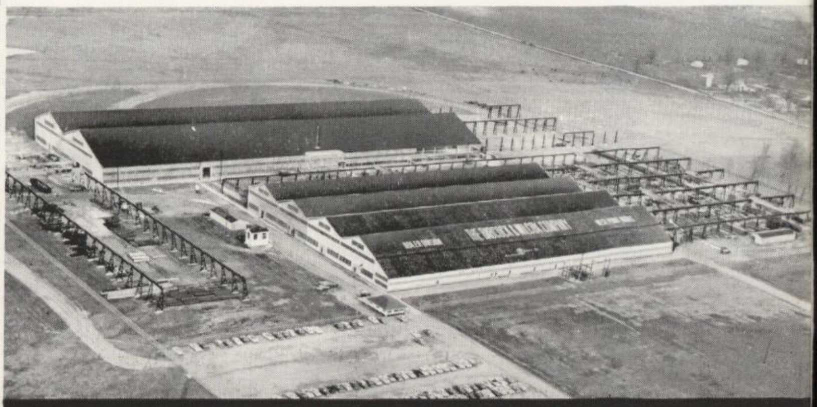
Milwaukee, Wisconsin—Tubular Products Division

Barberton, Ohio—Boiler Division





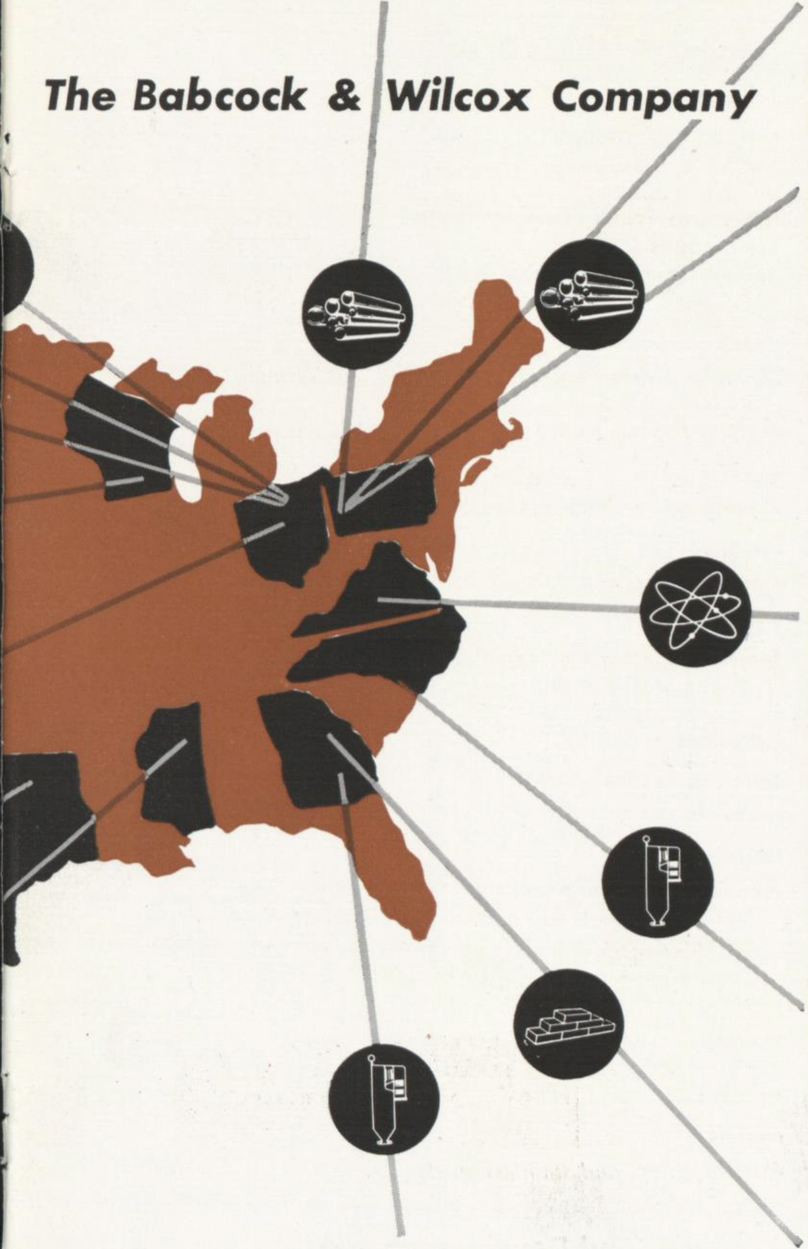
Paris, Texas—Boiler Division



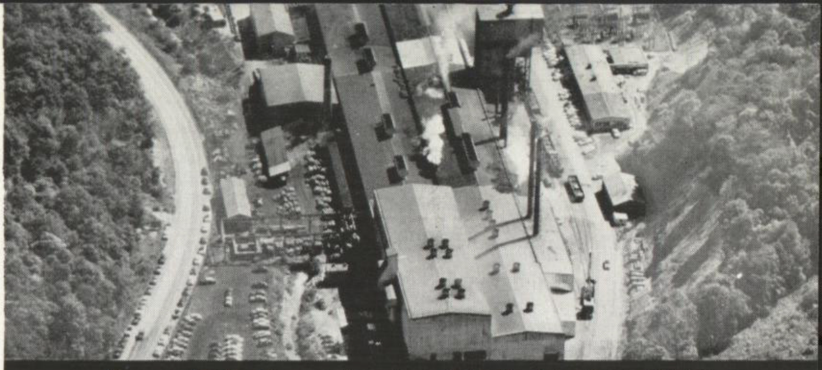
West Point, Mississippi—Boiler Division

Beaver Falls, Pennsylvania—Tubular Products Division

The Babcock & Wilcox Company

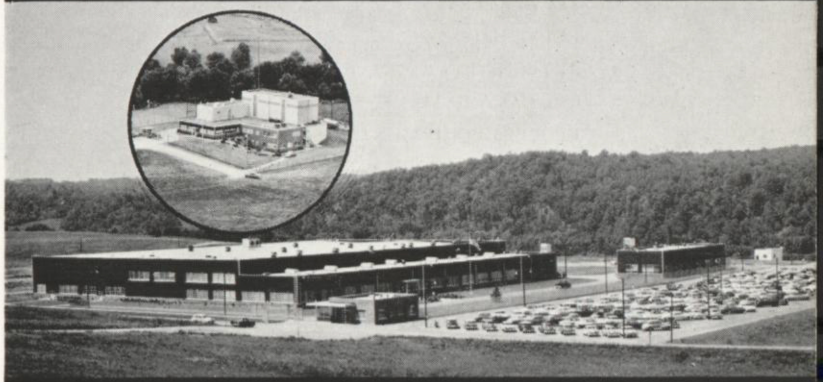


Brunswick, Georgia—Boiler Division



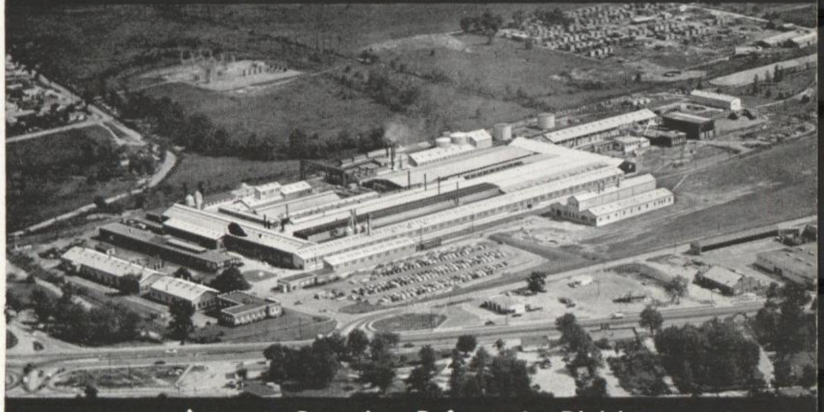
Beaver Falls, Pennsylvania—Tubular Products Division

Beaver Falls, Pennsylvania—Tubular Products Division



Lynchburg, Virginia—Boiler and Atomic Energy Division

Wilmington, North Carolina—Boiler Division



Augusta, Georgia—Refractories Division

Facilities & Products of The Babcock & Wilcox Company

Boiler Division

WATER-TUBE BOILERS
- FOR PUBLIC UTILITY POWER PLANTS
- FOR INDUSTRIAL POWER AND PROCESS PLANTS
- FOR HEATING PLANTS
- FOR MARINE SERVICE

WATER-COOLED FURNACES
SUPERHEATERS
ATTEMPERATORS
ECONOMIZERS
AIR HEATERS
PULVERIZED-COAL EQUIPMENT
JET-IGNITION STOKERS
OIL, GAS AND MULTI-FUEL BURNERS
PROCESS EQUIPMENT
HOLLOW FORGINGS
RECOVERY PROCESS FOR THE PULP INDUSTRY
PULVERIZERS FOR CEMENT MATERIALS, ROCK PRODUCTS AND ORES
ALLOY CASTINGS

Atomic Energy Division

POWER REACTORS
NUCLEAR REACTOR VESSELS AND INTERNALS
NUCLEAR POWER HEAT EXCHANGERS
RESEARCH REACTORS
SPECIAL NUCLEAR TEST EQUIPMENT

Refractories Division

Refractories for a Wide Range of Applications

INSULATING FIREBRICK
Six grades for a wide range of temperature and service requirements

SPECIAL FIREBRICK
Allmul, 80 Firebrick, Junior Firebrick

SILICON CARBIDE
Special Shapes

PLASTICS; MORTARS; CASTABLES; RAMMING MIXES; CALCINES

Tubular Products Division

Tubes and Pipe

MECHANICAL TUBING
AIRCRAFT TUBING
BEARING TUBING
DAIRY AND OTHER SANITARY TUBING
STILL TUBES
BOILER AND SUPERHEATER TUBES
CONDENSER AND HEAT EXCHANGER TUBES

TYPES
Seamless Tubes—hot-finished, turned, cold-drawn, or roto-rocked
Welded Tubes—from hot-rolled or cold-rolled strip

SHAPES
Round, square, rectangular, or special shapes

GRADES
Carbon, alloy, and stainless steels

FABRICATION
Upsetting, swaging, expanding, bending, safe-ending, and machining

Extrusions

TUBULAR SHAPES
SOLID SHAPES

GRADES
Standard and non-pierceable ferrous alloys, and non-ferrous materials such as Titanium, Molybdenum, Zirconium, etc.

Seamless Welding Fittings

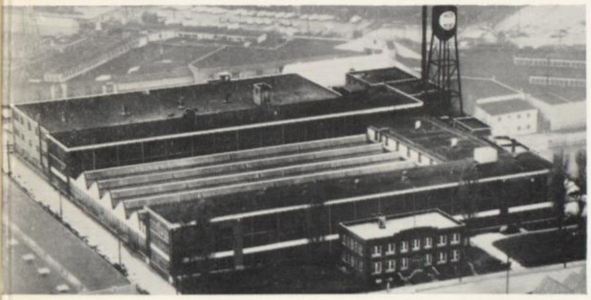
ELBOWS
CAPS
LATERALS
RETURNS
STUB ENDS
BULL PLUGS
REDUCERS
FLANGES
NIPPLES
TEES
SADDLES
CROSSES

GRADES
Carbon, alloy, and stainless steels

Research and Development

Research and Development in Combustion, Fluid Flow, Heat Transfer, Nuclear Energy and Materials, Leading to New and Improved Company Products.

Facilities & Products of Babcock & Wilcox Subsidiary Companies



Bailey Meter Company

BOILER METERS AND FLOW METERS
PYROMETERS
PRESSURE AND LIQUID LEVEL INSTRUMENTS
ANALYSIS INSTRUMENTS
REGULATING VALVES
INSTRUMENT AND CONTROL PANEL ASSEMBLIES

Automatic Control Systems for

STEAM POWER PLANTS
STEEL MILLS
NON-FERROUS METALS MANUFACTURE
PULP AND PAPER MANUFACTURE
MARINE POWER PLANTS
NUCLEAR POWER PLANTS
WATER AND WASTE TREATMENT
CEMENT AND CERAMICS MANUFACTURE

Diamond Power Specialty Corporation

Soot Blowers

MANUAL AND AUTOMATIC SYSTEMS
AIR AND ELECTRIC OPERATION AND CONTROL
AIR, STEAM AND SHOT CLEANING

Boiler Water Gauges

BI-COLOR AND CLEAR VISION
WATER GAUGE VALVES
HIGH AND LOW WATER ALARMS

Electronics

INDUSTRIAL (CLOSED CIRCUIT) TELEVISION
UNDERWATER TELEVISION
REMOTE IDENTIFICATION SYSTEM
PICTURE AND RECORD TRANSMISSION CONSOLES
TELEVISION CAMERA PICTURE TUBES

THE BABCOCK & WILCOX COMPANY